PNM Draft Statement of Need

July 8, 2026

[This draft has been developed to facilitate discussions with stakeholders on the Statement of Need. Some information contained in this draft will be moved to other locations in the final IRP report. It is included here to help with understanding the Statement of Need development.]

New Mexico IRP Rule 17.7.3 Statutory Requirements	
10A	The statement of need is a description and explanation of the amount and the types of new resources, including the technical characteristics of any proposed new resources, to be procured, expressed in terms of energy or capacity, necessary to reliably meet an identified level of electricity demand in the planning horizon and to effect state policies.
10B	The statement of need shall not solely be based on projections of peak load. The need may be attributed to, but not limited by, incremental load growth, renewable energy customer programs, or replacement of existing resources, and may be defined in terms of meeting net capacity, providing reliability reserves, securing flexible resources, securing demand-side resources, securing renewable energy, expanding or modifying transmission or distribution grids, or securing energy storage as required to comply with resource requirements established by statute or commission decisions.
12B	To address the utility's procurement need, if any, as described in the statement of need, and to fulfill the objectives of the utility's action plan, the utility shall issue a request for proposals (RFP) in the current IRP docket, within five months of the commission's acceptance of its statement of need and action plan.
13A	Acceptance of the utility's statement of need and action plan does not constitute a finding of prudence or pre-approval of costs associated with acquiring additional resources.

Introduction

PNM's 2026 Integrated Resource Plan (IRP) presents a comprehensive and forward-looking strategy to reliably and efficiently serve projected customer demand while achieving compliance with New Mexico's clean energy requirements through 2045. The plan balances three core objectives including reliability, affordability, and environmental impact. Each is outlined in more detail in the body of the IRP Report.

The 2026 IRP baseline portfolio represents PNM's Most Cost-Effective Portfolio or "MCEP" of supply- and demand-side resources, consistent with NMAC 17.7.3.2.M. Additionally, the 2026 IRP evaluates how the preferred plan would vary under changes in key supply and demand assumptions, as required by the IRP Rule[1], to ensure transparent, adaptable, and robust pathways forward as system conditions evolve over the three-year IRP planning horizon. PNM has arranged these as 'tiered' pathways within the Statement of Need.

Pursuant to the IRP Rule, this plan identifies "resource option types"[2] rather than specific resources, except where a commitment to a specific resource exists at the time of IRP filing. PNM's resource needs are organized into three types reflecting their operational characteristics[3] and role in maintaining system performance which include: (1) carbon-free energy, (2) dynamic balancing resources, and (3) firm dispatchable resources.

In the current environment characterized by rapid change and increasing uncertainty, this Statement of Need establishes a transparent approach to resource planning and procurement by ensuring future investment decisions are predicated on measurable planning triggers, PNM can make prudent near-term investments, ensure they support long-term objectives, remain prepared for accelerated growth scenarios, and safeguard customers from the costs associated with overbuilding or speculative investment.

Background and Planning Horizons

The 2026 IRP maps out a long-range framework to maintain a reliable and affordable resource portfolio that meets environmental requirements for PNM's customers over the next 20 years. To ground this framework, PNM had established clear definitions for the key planning horizons in the 2026 IRP:

[1] NMAC 17.7.3.8.A states, "the plan shall also specify how the implementation and use of those resource options would vary with changes in supply and demand."
[2] NMAC 17.7.3.8.A
[3] NMAC 17.7.3.10.A

The Action Plan Period (2027–2029):

Legally defined by rule as the three-year period following the filing of the IRP, this is the near-term window where PNM carries out specific, concrete implementation efforts tied to the 2026 IRP. Accordingly, implementation activities, such as the potential development and issuance of a future competitive procurement, align with this Action Plan window.

The Focus Period (2033–2036)

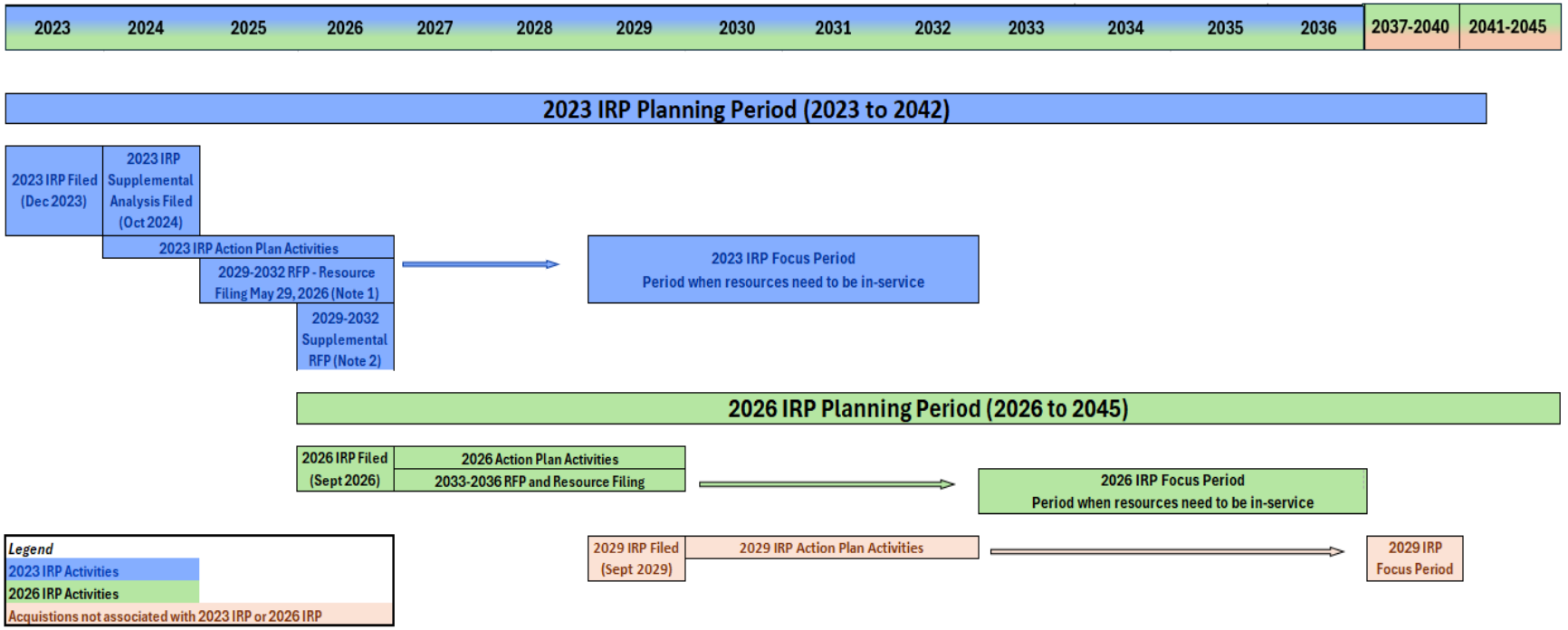
A look-ahead period bridging the immediate action plan timeframe and the medium-term horizon. Because new resources and associated system expansion require extensive lead times to design, clear interconnection queues, procure equipment, and construct, PNM must evaluate system requirements further out. The Focus Period represents the target window where resources solicited during the Action Plan Period are scheduled to enter commercial service to address incremental need from resource retirement(s) and/or increasing demand expected during the Focus Period.

The Planning Period (2026–2045)

Legally defined by rule as the 20-year future period for which PNM develops its IRP. This macro-level time horizon is utilized to evaluate long-term system trajectories, statutory clean energy mandates, and lifecycle economic trends.

Figure 1 below provides a graphic to show the planning time horizons for the 2026 IRP in the context of both the previous 2023 and subsequent 2029 IRPs.

Figure 1: IRP Planning, Action Plan and Focus Period Timeline



Note 1: 800 MW Wind (Palomas), 610 MW BESS (Cathills 150 MW, Wildcat 50 MW, Gila Monster 150 MW, TAG II 90 MW, Britton 60 MW, Encino 110 MW), 240 MW Solar (Cat Hills 150 MW, Wildcat 90 MW), 186 MW Gas (Reeves Ext 146 MW, La Luz II 40 MW)

Note 2: (50-250 MW Firm Dispatchable (modeled as 172 MW gas in 2026 IRP as proxy pending the Supplemental RFP outcome)

Modeling Framework and Resource Categories

PNM's modeling framework is organized around distinct load futures; however, the differences in resource additions across those futures are driven by more than load growth alone. PNM performed an extensive set of scenario analyses, evaluating dozens of sensitivities across load futures to assess the impacts of varying resource costs, fuel prices, technology performance, policy requirements, and other key planning assumptions. These analyses help inform robust planning decisions under a wide range of potential future conditions.

While the Statement of Need encompasses the concept of an MCEP, it also reflects the alternative portfolio outcomes produced by the IRP Rule's required variations in supply- and demand-side assumptions under 17.7.3.8(A) NMAC. Rather than presenting a single resource requirement, PNM expresses resource needs as planning ranges, bound by a floor and ceiling for each functional resource category within a given load future. These ranges establish the planning baseline around the MCEP under the Tier 1 Current Trends and Policies (CTP) future.

Recognizing the uncertainty associated with emerging large loads, electrification, and economic development, PNM has also identified circumstances under which procurement needs could exceed the Tier 1 planning ranges. If actual load growth trends align with the High Economic Growth (HEG) future or Extra High Economic Growth (XEG) sensitivity, resource procurement would be expanded to be consistent with the needs identified in those modeling outcomes. This approach provides a flexible planning framework that balances near-term prudence with the ability to respond to higher-growth conditions as they materialize.

These ranges are also informed by specific stakeholder alternative modeling sensitivities, involving more optimistic costs for emerging technologies (e.g., geothermal, fusion), increased demand-side penetration potential, and an accelerated reduction in carbon intensity. This input conditionally impacts PNM's identified need by widening the tiered planning ranges incorporated into the Statement of Need and informing the Action Plan.

While modeling generates an optimized expansion plan based on candidate technologies, for purposes of focusing on RFP requests that follow the IRP action plan, the technologies are grouped into one of three types relative to their primary operational characteristics:

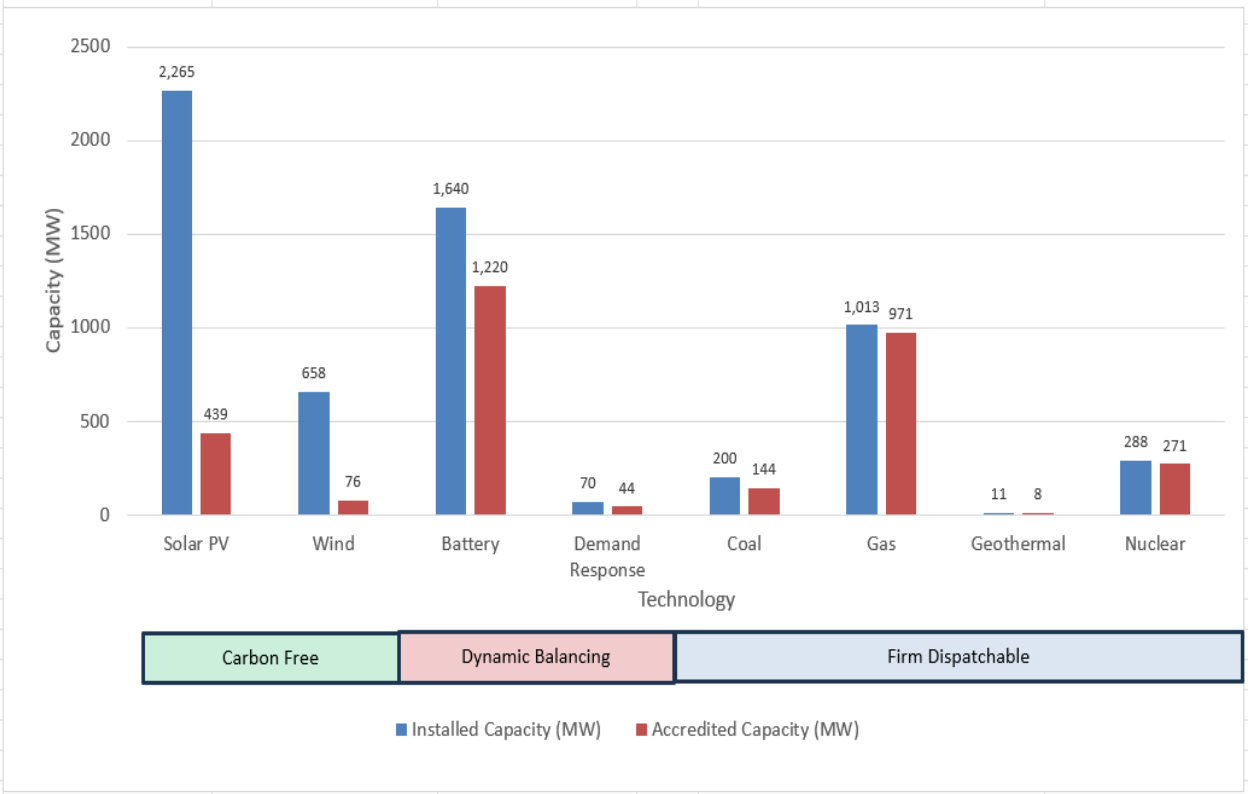
Resource Types	Primary System Role	Key Technologies & Capabilities
Carbon-Free Energy	Produce clean energy, reduce annual customer demand, or provide cost-effective energy/capacity to meet statutory mandates while lowering overall system costs.	Wind, solar, and energy efficiency programs.
Dynamic Balancing	Provide accredited capacity (or reduce demand) to meet resource adequacy requirements and balance supply/demand in real-time operation.	Demand response, and short-duration energy storage (8 hours or less).
Firm Dispatchable	Operate at full capacity, at will, for extended periods to maintain grid stability during constrained system conditions.	Natural gas generation, advanced geothermal, long-duration energy storage (greater than 16 hours.), small modular nuclear reactors, and hydrogen-ready combustion turbines.

The resource types are used to summarize the Statement of Need in a manner that supports the MCEP but provides flexibility by identifying tiered ranges of resources that may best direct future RFPs based on the current forecast load trajectory and informed by comprehensive modeling and simulation. Resource types are based on the main operational characteristics, however, some resources offer greater flexibility, and the operational characteristics may overlap allowing, for instance, resources that are included as a firm dispatchable type but also play a role in dynamic balancing.

Capacity and Energy Shortfall (No-Action Scenario)

To understand the system's resource needs, PNM first evaluates the resource position if the company takes no incremental action. This "no-action" analysis measures the gap between projected customer need and available capacity and energy before adding any new projects beyond those identified as existing and approved. Resources pending approval in the 2029-2032 resource filing, being procured as part of the RFP Supplement, as well as future generic candidate resources are left out of the initial calculation. This starting deficit is driven entirely by two factors: expected growth in customers' electricity demand and energy needs and the scheduled retirement of existing generation including the expiration of existing power purchase agreements (PPAs). The existing resources are shown in Figure 2 below by technology as both *installed* and *accredited* capacity:

Figure 2 – Existing and Approved Resources



Includes approved resource with in-service dates of 2027 and 2028: Valencia Extension (167 MW), Corazon BESS (150 MW), Sun Lasso BESS (150 MW), Sunbelt Solar (100 MW), Sunbelt BESS (50 MW), Four Mile Mesa Solar (100 MW), Starlight Solar (100 MW), Windy Lane Solar (90 MW), Four Mile Mesa BESS (100 MW), Starlight BESS (100 MW), Windy Lane BESS (68 MW).

PNM's installed resource capacity entering 2029 is expected to be 6,145 MW, including total nameplate capacity plus demand response program capacity. The accredited capacity of the portfolio of resources by 2029, which is the projected contribution of capacity during the highest risk hours of the system, is 3,177 MW. Both installed and accredited capacity vary over time as resources retire and as the penetration of each technology in PNM's portfolio changes. From an accounting perspective, the portfolio accredited capacity is used to calculate the reserve margin of the portfolio and is used when determining the deficit or surplus needed to achieve a reserve margin target. PNM's 2026 IRP targeted reliability is a 0.1 LOLE, which translates to an estimated reserve margin requirement of 14.5%.

The magnitude of the resource gap depends largely on underlying economic factors. Under the CTP forecast, a steady shortfall of capacity emerges in the next few years and continues to climb over the 20-year planning window. This starting shortfall establishes the minimum amount of accredited capacity PNM needs to meet a 0.1 LOLE and is translated into a planning reserve margin of 14.5%. Table 1 below shows how the accredited capacity position changes under the CTP future over the planning timeframe.

Table 1 - Resource Capacity Position for All Futures

Description	2029	2032	2036	2040	2045
CTP Load (MW)	3,082	3,152	3,254	3,391	3,604
HEG Load (MW)	3,331	3,491	3,719	3,994	4,398
LEG Load (MW)	2,523	2,624	2,653	2,707	2,816
Existing Resources (MW)	3177	2842	2819	2637	1240
PRM Target (%)	14.50%	14.50%	14.50%	14.50%	14.50%
Requirement with PRM (CTP)	3,529	3,609	3,726	3,883	4,127
Requirement with PRM (HEG)	3,814	3,997	4,258	4,573	5,036
Requirement with PRM (LEG)	2,889	3,004	3,038	3,100	3,224
CTP Surplus/Deficit (MW)	(352)	(767)	(907)	(1,246)	(2,887)
HEG Surplus/Deficit (MW)	(637)	(1,155)	(1,439)	(1,937)	(3,796)
LEG Surplus/Deficit (MW)	288	(163)	(219)	(463)	(1,984)

The initial gap in 2029 starts out above 300 MW and grows to over 2,800 MW by the end of the planning period. The necessary installed capacity to close the gap is greater than what is indicated depending on the ELCC of the technologies added to PNM's resource portfolio.

If economic development growth and electrification accelerate, as contemplated under the High Economic Growth track (HEG), this gap widens rapidly beginning in 2029 and becomes more substantial by 2045. On the flip side, if economic development growth is low, PNM's existing and approved generation and pending approved resources can potentially cover capacity needs until 2040. These futures are also included in Table 1 which generally shows that under a low economic growth future, minimum resource deficiencies occur until 2040. Under the HEG growth future, deficiencies increase at a rate that would require significant resource additions every few years.

The IRP analysis included a sensitivity to the HEG case that covered extreme economic development growth (XEG). This sensitivity was created to evaluate an upper bound on potential load growth on PNM's system with the expectation of this forecast to have a low probability of occurring. The XEG results showed capacity deficits of over 3000 MW by 2036 and over 6000 MW by 2045 which is well above the HEG deficiencies shown in Table 1.

PNM has also analyzed energy requirements for the PNM retail load as compared to resource energy production. Based on modeled energy output of existing resources in-service by the end of 2028, Table 2 below shows the estimated CTP energy position for PNM's system through the planning period. Existing resource generation is based on the output in the CTP future case. As shown in Table 2, energy margins are at a deficit beginning in 2029 which increases over the study period. This is largely due to the load forecast increases in 2029 and beyond not being offset by any new resources after 2028 in calculating the energy gap. While energy margins are not specifically targeted in resource planning, system energy needs are a base requirement in PNM's expansion plan modeling when determining portfolios. Actual system operations will account for dynamic

conditions including but not limited to weather, equipment outages, market prices and charging/discharging of energy storage devices.

Table 2 - PNM Energy Position for All Futures

Description	2029	2032	2036	2040	2045
CTP Load (GWH)	17,704	18,289	18,646	19,088	19,778
HEG Load (GWH)	18,772	19,837	20,797	21,939	23,556
LEG Load (MWH)	14,039	15,073	15,059	15,061	15,158
Existing Resources (GWH)	15,853	14,759	14,250	14,294	5,222
CTP Surplus/Deficit (MW)	(1,851)	(3,530)	(4,395)	(4,794)	(14,557)
HEG Surplus/Deficit (MW)	(2,919)	(5,078)	(6,547)	(7,645)	(18,334)
LEG Surplus/Deficit (MW)	1,814	(314)	(809)	(767)	(9,936)

Table 2 also includes the energy positions with the HEG and LEG futures. The HEG future shows significant energy deficiencies occur throughout the planning period if new resources are not added after 2028.

PNM's renewable energy requirements are not summarized in the Statement of Need; however, the information is included in the IRP report. Based on current renewable energy production of PNM's resource portfolio, projections show PNM will continue to significantly exceed the required renewable energy percentage through the IRP Focus Period.

Most Cost-Effective Portfolio ("MCEP")

This IRP plan, like PNM's prior IRPs, identifies an MCEP based on the CTP base case. This case represents the forecast trajectory represented in planning activities for the expected future outcome. While the IRP Rule requires a utility to identify an MCEP, it also requires that an IRP identify how that plan would vary under changes in key supply and demand assumptions. PNM's IRP has, therefore, identified how its portfolio will adapt should load growth, markets, regulatory requirements, technology costs and availability change after the acceptance of the SON and AP. The sensitivity analyses conducted across three futures provide a comprehensive vision into the types and timing of resources that are least cost under these varying conditions.

By identifying the common denominators from portfolio analysis, it provides PNM and stakeholders insight into how the MCEP might evolve to ensure on-going alignment for resource procurements in terms of ranges, attributes, and timing of customer needs. This approach ensures adequate flexibility, supports prudent decision-making as industry dynamics shift, and avoids premature commitments to specific technologies before they are commercially or economically optimal. In accordance with the IRP rule, Figure 3 below identifies the MCEP for the 2026 IRP.

Figure 3 - Most Cost-Effective Portfolio (CTP Future) Installed Capacity

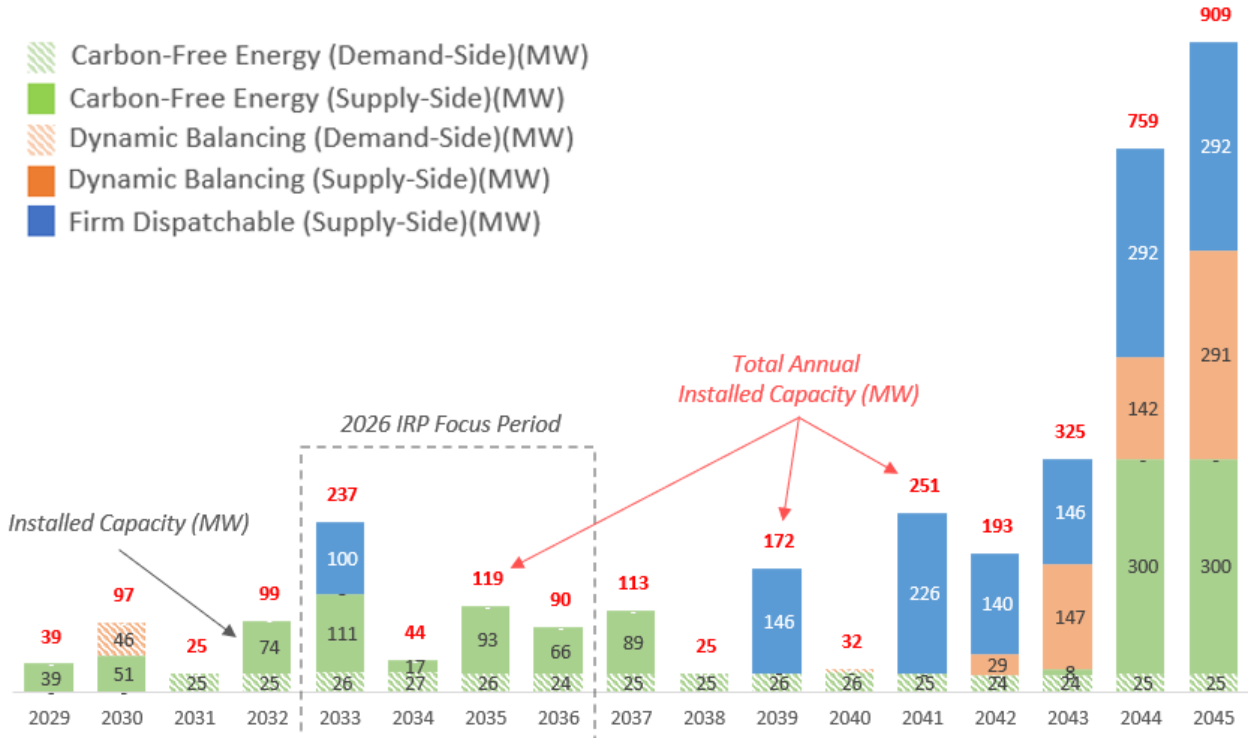


Figure 3 outlines the amount and the types of proposed new resources expressed in terms of installed capacity necessary to reliably meet an identified level of electricity demand in the planning horizon and to effect state policies.

The information for the MECP represents only the results of the single CTP case before applying any sensitivities. The Statement of Need factors in variations from the MCEP not only on projections of peak load but also accounts for the variations represented by the sensitivities included in the IRP cases. The Statement of Need is defined in terms of tiers meeting capacity and energy needs, meeting reliability criteria, providing resource adequacy and complying with requirements established by state rules and statutes.

Bridging the Capacity Need Gap

To systematically close the capacity and energy gap identified at the start of the IRP planning period, PNM identifies three distinct procurement activities based on the current regulatory and commercial status. The activities are Pending Near-Term Procurements, Focus Period Procurements and Procurements Through the End of the Planning Period. Additional information on the activities follows:

Pending Near-Term Procurements:

- **2029-2032 System Resources:** These represent firm commitments – PNM owned and purchased projects that are pending final New Mexico Public Regulatory Commission approval. As such, they are assumed as fixed inputs to the modeling. As concrete commitments, they are embedded across all modeling cases and provide the foundation for near-term system reliability.
    - Pending NMPRC consideration of 1,690 MW of new resources: 1,040 MW of Carbon-Free Resources, 610 MW of Dynamic Balancing Resources and 40 MW of Firm Dispatchable Resources. A regulatory decision is expected before the end of 2026.
    - Intent to continue operation of the Reeves Generating Station through 2044 (146 MW).

- **2029-2032 Supplement Procurements (RFP Supplement):** To handle the small remaining near-term resource need (3%-15% of total portfolio depending on accreditation), PNM is concurrently executing its active 2029-2032 All-Source Generation Resource RFP Supplement. Because this competitive solicitation is underway, the exact projects, locations, and technologies are currently unknown. Prior analysis identified gas generation as a proxy modeling assumption for near-term firm dispatchable needs; however, this placeholder will ultimately be filled based on the actual outcome of the RFP evaluation, which is an all-source procurement open to all qualified technologies. As a result, the range of needs established in the IRP will have a small interdependence on the outcome of the RFP Supplement selection.
    - 50-250 MW of new Firm Dispatchable Resources, pending final award of resource(s) from PNM's 2029-2032 All-Source Generation Resources RFP Supplement. For the IRP this was modeled as a 172 MW combustion turbine as a proxy.

Although the Pending Near-Term Procurements are considered fixed resources as part of the 2026 IRP analysis, the final approved resources may materially alter the base resource assumptions used in the 2026 IRP evaluation. Should this happen, PNM will evaluate its options at that time and decide a path forward. Given material changes to PNM's Pending Near-Term Procurements, PNM would expect to issue a notice of material event to the Commission. Accordingly, PNM would then reinstate a stakeholder process to allow for stakeholder feedback on changes to the Statement of Need in its 2026 IRP.

Table 3 below summarizes the resources included in the Pending Near-Term Procurements based on the 2029-2032 Resource Filing[4] and Supplemental RFP.

Table 3 - 2029-2032 Resource Filing and Supplemental RFP

Procurement	Type	Capacity (MW)
29-32 Resource Filing	Carbon Free	1040
29-32 Resource Filing	Dynamic Balancing	610
29-32 Resource Filing	Firm Dispatchable	186
RFP Supplement	Firm Dispatchable	50-250
Total Near-Term Procurements		**1886-2086**

Note 1 – A 172 MW CT is modeled for IRP analysis as a proxy to the RFP Supplement outcome. This was adjusted down from the original 2029-2032 capacity of 344 MW identified in the Phase 3 RFP analysis used to support the 2029-2032 Resource Filing. Updated ELCC's, amongst other assumptions used for the 2026 IRP, showed more accredited capacity than the 2023 IRP ELCCs used for the RFP analysis which resulted in a reduction in the estimated firm capacity need from the RFP Supplement. This is reflected in the lower value used for the 2026 IRP.

The total installed Existing and Approved Resources and Pending Near-Term Procurements is the sum of the values in Figure 2 and Table 3. This represents 8000 MW to 8200 MW of installed capacity and approximately 3750 to 3950 MW of accredited capacity. For purposes of the IRP, these resources were assumed in all future and sensitivity cases except as requested in stakeholder scenario cases.

[4] NMPRC Case 26-0000114

2026 IRP Focus Period Procurements

- The 2026 IRP emphasis is for the needs in this period. Any remaining deficits beyond existing resources, pending resource approvals and active procurement windows are addressed via generic candidate resources identified in the 2026 IRP analysis. These additions represent flexible planning placeholders that dynamically scale in volume and timing based not only on which load trajectory materializes, but also on how other key modeling sensitivities and stakeholder assumptions ultimately evolve. Because utility-scale energy projects require significant development lead times, PNM initiates proactive planning during the current Action Plan period to ensure resources are viable when needed. The Focus Period provides the necessary runway for standard long-lead projects to bid into future competitive solicitations. While certain emerging clean-firm technologies may require even longer development timelines that extend beyond the Focus Period horizon, PNM will consider these options provided that sufficient near-term resources are procured in the interim to reliably and affordably maintain system adequacy until those longer-lead technologies can commercially mature.

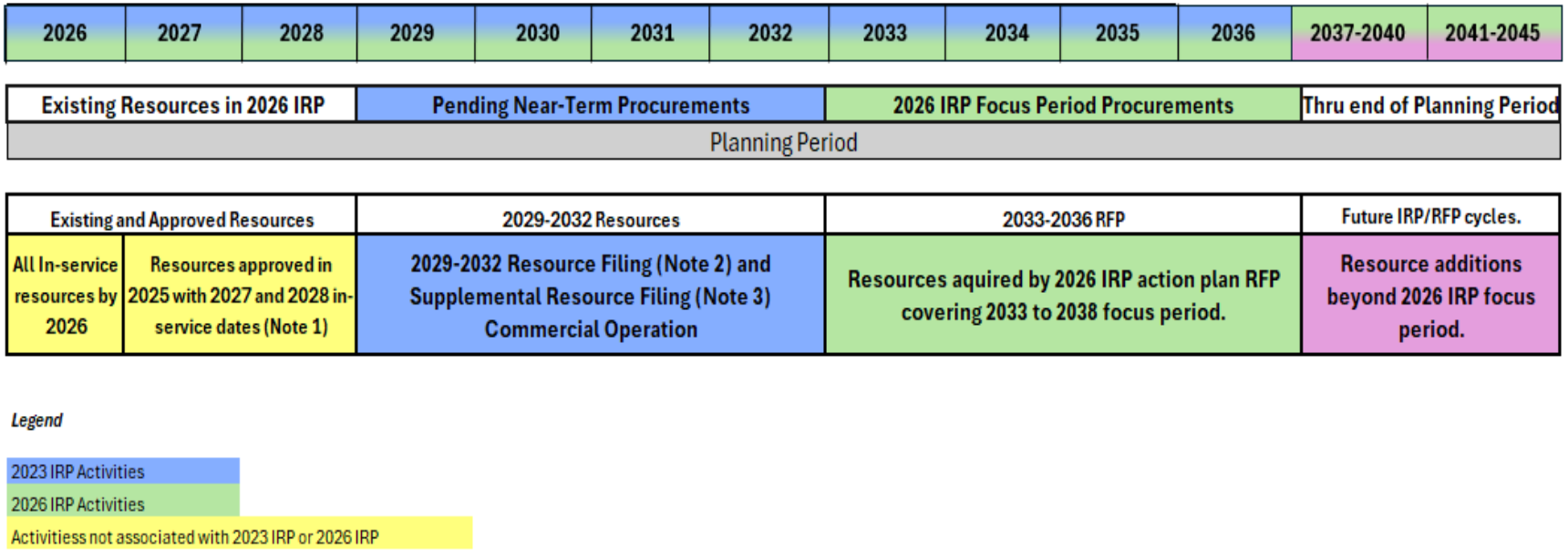
Procurements Through the End of the Planning Period

- Resource needs identified beyond the 2026 IRP Focus Period are summarized primarily for informational purposes. This period is far enough out that future IRPs will be more relevant to what technologies and ranges are appropriate beyond 2036.

The procurements in the 2026 IRP Focus Period and Procurements Through the End of the Planning Period are summarized by technology types and rolled up to the three operational types. These are defined as generic candidate resources since these do not represent specific projects or bids. The resource technologies and roll up to the operational types are provided in later sections of the Statement of Need.

Figure 4 below provides a graphic timeline of the procurement timeframes. The 2026 IRP provides the guidance for the 2026 IRP Action Plan items which include the issuance of an RFP for resources that would be placed in-service in the 2026 IRP focus window of 2033-2036. The focus window is shaded in green in the figure.

Figure 4 - Procurement Timeframes



Note 1 – see Figure 2

Note 2 - 800 MW Wind (Palomas), 610 MW BESS (Cathills 150 MW, Wildcat 50 MW, Gila Monster 150 MW, TAG II 90 MW, Britton 60 MW, Encino 110 MW), 240 MW Solar (Cat Hills 150 MW, Wildcat 90 MW), 186 MW Gas (Reeves Ext 146 MW, La Luz II 40 MW) plus Supplemental RFP (50-250 MW Firm Dispatchable (modeled as 172 MW gas in 2026 IRP as a proxy pending outcome of the RFP evaluation).

Note 3 - 50-250 MW of new Firm Dispatchable Resources, pending final award of resource(s) from PNM's 2029-2032 All-Source Generation Resources RFP Supplement. For the IRP this was modeled as a 172 MW combustion turbine as a proxy.

Tiered Range of Needs and Triggers for MCEP Pathway

The IRP modeling runs included three futures, based on load variability, with multiple sensitivity simulations for each future. The results of this comprehensive modeling provide the range of customer needs comprising this Statement of Need, the associated triggers that impact the ranges and resulting portfolios that define PNM's planning pathways. The Statement of Need establishes a tiered approach to customer needs based on the combinations of varying market and system conditions, technology costs, performance, timing/availability, and load growth. As these 'triggering' conditions vary, PNM will utilize its extensive IRP modeling outcomes to realign its MCEP, if necessary. It is critical to continue to balance customer reliability, affordability, and environmental impact with resource procurements and related system decision(s).

The tiers are quantified in terms of incremental installed capacity resource needs above the Existing and Approved and Pending Near-Term Procurements. Information on accredited capacity is available in the IRP report along with the energy provided by the incremental resources. Tier 1 of this framework is based on needs defined from the CTP future and its associated sensitivities. Tier 1 needs are based upon the most likely forecast outcomes as known today. Tier 1 would guide the resources to be selected in the 2033 to 2036 RFP unless sufficient triggers as discussed below were to occur prior to issuing the RFP leading to a different trajectory. Tier 2 of the framework defines customer needs consistent with the HEG future where high growth from increased economic development activity and/or electrification demand occurs during the planning horizon. Tier 3 represents an upper boundary condition where extreme high load growth is experienced.

Statement of Need: Tier 1 - Current Trends and Policy "CTP" Future

The modeling results of the CTP cases underpinning the Tier 1 trajectory have been summarized to identify the range of needs across resource option types. The summarization below depicts ranges for the different technologies based on the CTP case and the CTP sensitivity cases spanning the highest and lowest resource addition needs beyond those in place following the Pending Near-Term Procurements. The ranges are shown below in Figure 5 for cumulative installed capacity needs through 2036 and in Figure 6 through 2045.

Figure 5 - Range of Resource Needs Based on CTP Sensitivities through 2036

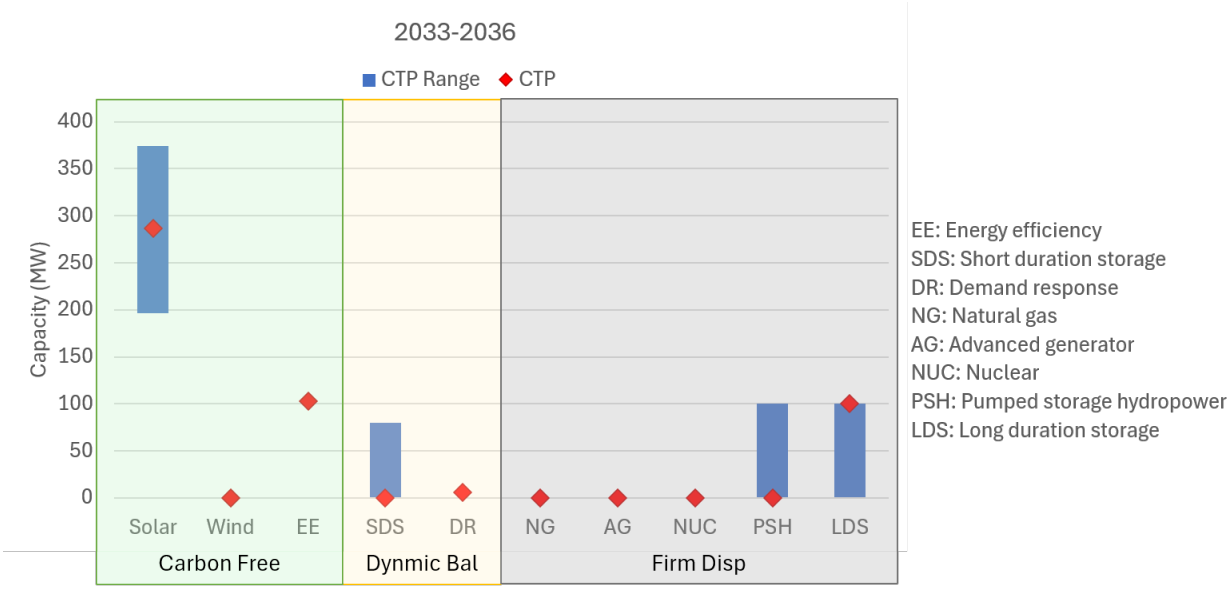


Figure 6 - Range of Resource Needs Based on CTP Sensitivities through 2045

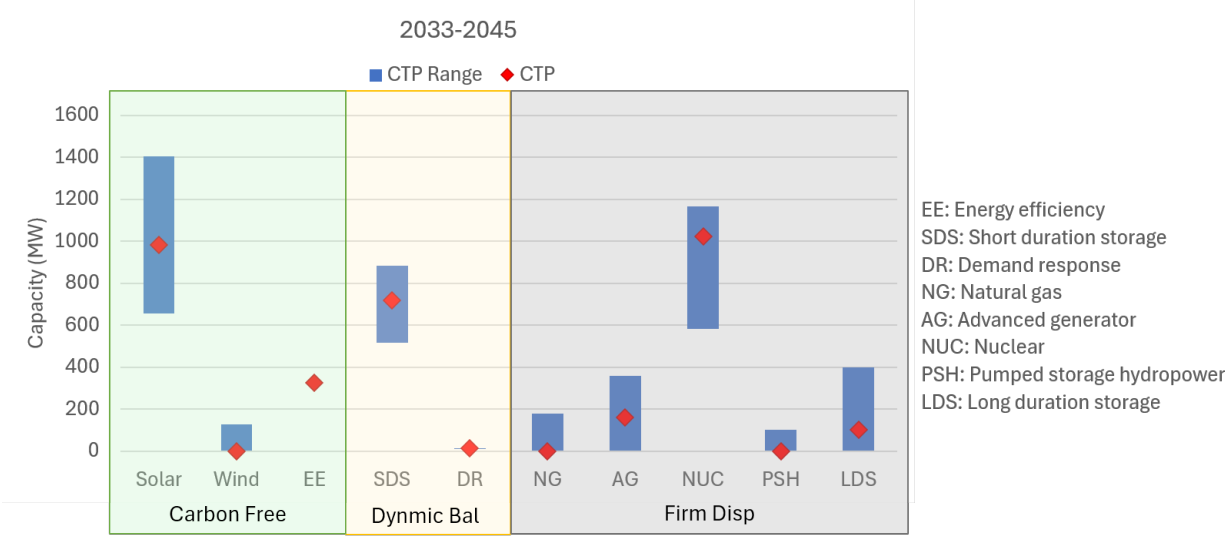


Figure 5 and Figure 6 provide a graphical view of how the ranges and technologies are rolled up to the three operational types used to summarize the Statement of Need. The CTP (red diamond) values represent the base CTP case with the blue ranges depicting how the needs vary across the sensitivities. For the CTP cases through 2036, supply resources consisted of solar, short-duration storage and long-duration storage as either pumped-hydro storage or iron-air batteries. Demand-side resources include primary expansion of energy efficiency programs. Additional technologies come into play by 2045 with small modular reactors (nuclear) adding substantial energy and capacity to the overall portfolio.

Summarizing the results of the CTP future and sensitivities by operational type and demand- or supply-side identifies the incremental volume of candidate resources required to satisfy the currently expected needs in an RFP for the 2033 to 2035 timeframe. The cumulative generic candidate resource needs required over time are shown in Table 4 below:

Table 4 – Incremental Resource Needs Based on CTP Future and Sensitivities

Resource Category	Through 2036		Through 2045	
	Low	High	Low	High
Carbon-Free Energy (Supply-Side)	196	374	657	1,533
Carbon-Free Energy (Demand -Side)	103	103	327	327
Dynamic Balancing (Supply-Side)	0	80	517	883
Dynamic Balancing (Demand -Side)	6	6	10	12
Firm Dispatchable (Supply-Side)	0	200	584	2,208

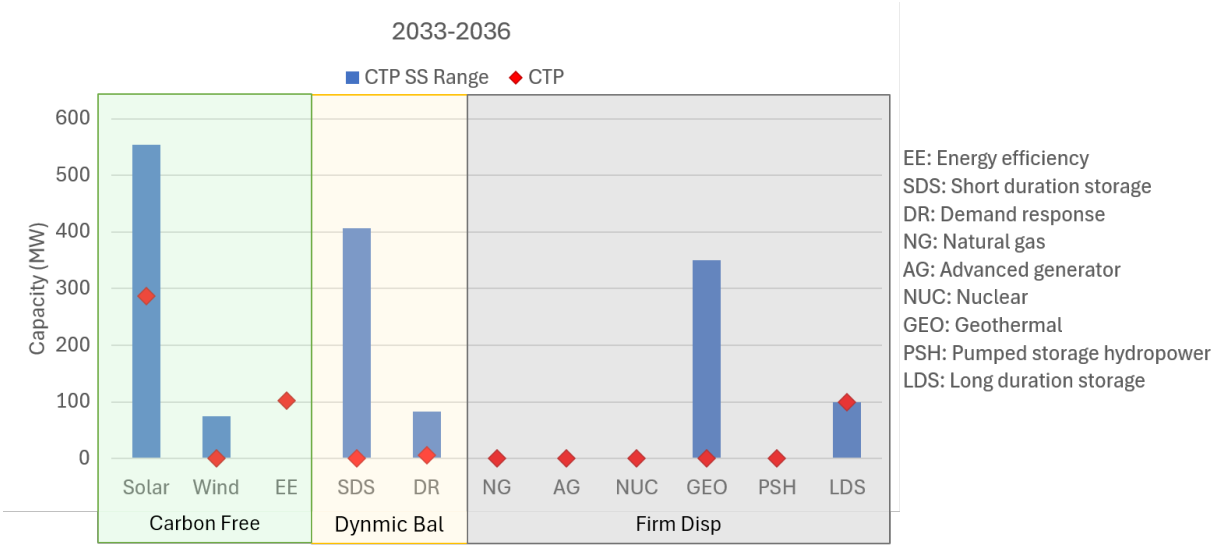
The CTP trajectory represents the baseline planning scenario with the highest expected probability of occurrence. Under this track, steady load growth and clean energy mandates mean that the Pending Near-Term Procurements only partially solve the long-term resource need, requiring additional generic candidate resources over time. Critically, the resource ranges defined below represent net-new, incremental capacity targets required over and above the Pending Near-Term Procurements. Based on the selected technologies from the IRP analysis, the ranges of need are:

- **Focus Period (2033 through 2036):** Through this period, total portfolio needs increase, requiring 299 MW to 477 MW of additional Carbon-Free energy, between 6 MW and 86 MW of incremental Dynamic Balancing, and up to 200 MW of additional Firm Dispatchable resources through 2036.
- **Planning Period (Through 2045):** To sustain reliability and hit policy targets, generic candidate resources expand the total footprint significantly by the end of the planning period, requiring 984 MW to 1,860 MW of additional Carbon-Free energy, 527 MW to 895 MW of additional Dynamic Balancing, and 584 MW to 2,208 MW of additional Firm Dispatchable resources through 2045.

Stakeholder Scenarios

PNM evaluated a series of alternative modeling cases incorporating stakeholder-requested assumptions and constraints using the same underlying baseline resources and load trajectories as the CTP case, but adjusting critical inputs and assumptions changes the optimized portfolio balance across the three operational types. Figure 7 shows the range of needs when considering the stakeholder scenario requests run on the CTP future:

Figure 7 - Range of Resource Needs Based on Stakeholder CTP Cases through 2036



Specifically, these sensitivities expanded the near-term need for Carbon-Free resources, accelerated the overall demand for Dynamic Balancing resources, and confirmed an almost identical long-term capacity floor for Firm Dispatchable resources. Enhanced Geothermal stood out as the greatest change in technologies in the stakeholder CTP scenarios. One stakeholder scenario involving fusion technology is not captured in Figure 7. Fusion is not one of the candidate resources included in the IRP but was reviewed based on the request. Due to highly favorable technology costs provided for the request significant fusion resources of about 300 MW per year were added after 2039 (up to 1800 MW).

Key Resource Category Takeaways:

- **Carbon-Free Energy Resources:** Stakeholder assumptions widen the near-term band of uncertainty through 2036, expanding the range of additional resources to 103 MW – 732 MW (compared to the tighter CTP range of 299 MW – 477 MW). By 2045, the long-term range shifts to an additional 554 MW – 2,036 MW of installed capacity, bringing the high-end requirement into close alignment with the CTP.
- **Dynamic Balancing Resources:** Altering resource options shifts the need for fast-acting grid flexibility upward across the board. The near-term focus period ceiling increases significantly to 489 MW (vs. 86 MW in the CTP), ultimately scaling to a maximum of up to 1,429 MW by 2045. Increasing addition of demand-side resources can result in a reduction of supply-side resources.
- **Firm Dispatchable Resources:** The absolute volume of firm capacity required to preserve grid stability remains very stable. Through 2036, both trajectories share an identical near-term floor of 0 MW, while the upper bounds remain closely aligned at 450 MW under stakeholder assumptions versus 200 MW in the CTP cases. By 2045, the long-term requirements converge on a similar requirement (2,098 MW under stakeholder cases vs. 2,208 MW in the CTP cases). However, while the capacity floor is driven by load and retirement timelines, the stakeholder assumptions dramatically shift the underlying

technology mix away from traditional placeholders toward alternative clean-firm dispatchable resources (e.g., geothermal).

A move to align with this planning pathway could be triggered by changes in ETA goals or required milestone dates, new or modified demand side management programs bid into resource procurements that exceed the expected penetration levels utilized in the analysis, or future RFP bids providing lower technology costs, better operating characteristics, and/or more favorable permitting timeframes over current expectations. While fusion was added per a stakeholder request, a trajectory for this technology in the indicated timeframe is considered unlikely at this time.

Downward Variance Low Economic Growth Future

Sensitivity modeling demonstrates that under a Low Economic Growth Future, the near-term procurement resources are sufficient to meet system needs. Minimal supply-side resource additions are required through 2040, though the model consistently identifies incremental demand-side (energy efficiency programs) as optimal cost. Such a planning pathway would be triggered by a significant reduction in the actual load growth captured in the expected CTP cases. The cumulative generic candidate resource needs required over time are shown in Table 5 below:

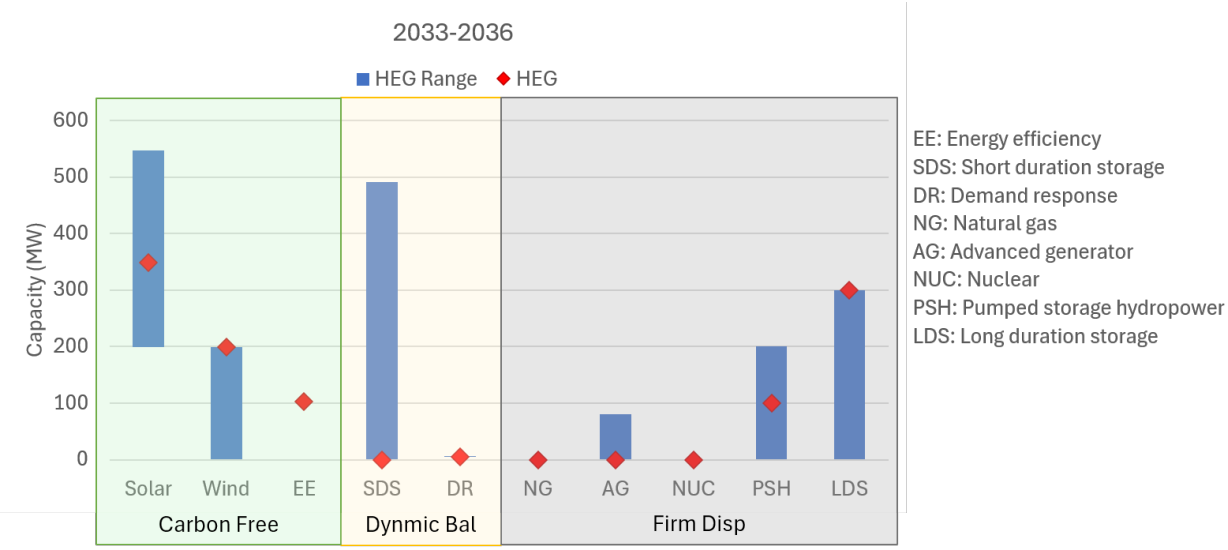
Table 5 – Incremental Resource Needs Based on LEG Future and Sensitivities

Resource Category	Through 2036		Through 2045	
	Low	High	Low	High
Carbon-Free Energy (Supply-Side)	0	0	778	894
Carbon-Free Energy (Demand -Side)	81	81	287	299
Dynamic Balancing (Supply-Side)	0	0	268	364
Dynamic Balancing (Demand -Side)	4	4	13	15
Firm Dispatchable (Supply-Side)	0	0	146	624

Upward Scalability: Tier 2 - High Economic Growth "HEG" Future

If economic development and electrification growth accelerate beyond the levels defined in the CTP future, PNM's resource needs are expected to be significantly greater. Figure 8 shows the range for the technologies for the HEG sensitivities through 2036.

Figure 8 - Range of Resource Needs Based on HEG Sensitivities through 2036



When compared to the CTP future, there is substantially greater amounts of solar and a wider range of short duration storage through 2036. Greater amounts of long-duration storage are also evident. Linear (advanced) generation is also added in smaller quantities depending on the sensitivity. Table 6 summarizes the resource ranges identified in the IRP analysis for the HEG future.

Table 6 - Incremental Resource Needs based on HEG future and sensitivities

Resource Category	2033-2036		2033-2045	
	Low	High	Low	High
Carbon-Free Energy (Supply-Side)	199	746	668	1,886
Carbon-Free Energy (Demand-Side)	103	103	327	327
Dynamic Balancing (Supply-Side)	0	492	200	1,300
Dynamic Balancing (Demand-Side)	6	6	11	12
Firm Dispatchable (Supply-Side)	0	580	584	2,992

Under the high economic growth assumptions, the range of need becomes:

- **Focus Period (Through 2036):** High growth demands an immediate generic increment of up to 302 MW to 849 MW of Carbon-Free resources, 6 MW to 498 MW of Dynamic Balancing, and up to 580 MW of Firm Dispatchable resources.
- **Planning Period (Through 2045):** The compounding load drives substantial long-term generic additions, requiring an incremental 995 MW to 2,213 MW of Carbon-Free energy, 211 MW to 1,312 MW of Dynamic Balancing, and 584 MW to 2,992 MW of Firm Dispatchable resources.

Triggers that would lead to adapting to a high economic growth planning pathway would include faster adoption of electrification and electric vehicles than currently forecast. This could come

about from regulatory changes focused on accelerating carbon reduction goals. Other drivers of an HEG planning pathway include increased US manufacturing activity and accelerated overall economic growth above current expectations and data center and AI activities that are more moderate than exemplified by current demand but above the expectations of the base CTP forecast.

Boundary Sensitivity: Tier 3 - Extreme Economic Development Sensitivity

To evaluate extreme load growth, the Extreme Economic Development Sensitivity maps out an unprecedented volume of resources required well beyond historical procurement cycles. Based on the technologies selected in the IRP, the incremental resource needs, above the Pending Near-Term Procurements, under the Extreme Economic Development Sensitivity are:

- **Focus Period (Through 2036):** Requires an immediate incremental need for 5,396 MW of Carbon-Free resources, 2,373 MW of Dynamic Balancing, and 1,360 MW of Firm Dispatchable resources.
- **Planning Period (Through 2045):** Requires substantial incremental candidate resource additions of 6,405 MW of Carbon-Free resources, 2,379 MW of Dynamic Balancing, and 3,622 MW of Firm Dispatchable resources by 2045.

The key trigger for a Tier 3 planning pathway would be continued and accelerating Large Customer and Data Center Growth. Contracting and development milestones that ensure the costs of serving new large load would be aligned to protections in a large load tariff to ensure that customers have certainty on rate and service impacts of large load customer service and avoid unfairly shifting costs to other customer classes.

Affordability

[Placeholder for short discussion on customer impacts from an affordability perspective]

Conclusion

The 2026 IRP establishes a single, actionable path forward that is aligned with current customer needs, statutory requirements, and system reliability obligations while preserving the flexibility necessary to respond to changing conditions, as required in the IRP Rule. Rather than committing customers to premature or static investment decisions, this plan identifies a clear resource development pathway supported by defined decision points and objective triggers that will guide future actions as uncertainties surrounding load growth, economic development, electrification, and emergent resource availability, cost, and performance become clearer.

PNM's planning approach is rooted in serving demonstrated customer demand at the lowest reasonable cost while maintaining reliability and compliance with state policy objectives. The MCEP identified in this IRP represents the resources needed to reliably serve the base case forecast and,

therefore, serves as the utility's primary execution plan. This is the path on which PNM intends to move forward with for the 2033-2036 RFP.

At the same time, the IRP recognizes that future conditions may deviate from current expectations. To address this uncertainty, PNM has established specific criteria and development triggers that will continue to be evaluated throughout the planning period. These triggers provide disciplined, transparent decision points for advancing additional resource procurements, accelerating development activities, or deferring investments as warranted by actual customer commitments, load growth, resource availability, cost or performance, and market conditions.

Under this framework:

- Tier 1: CTP Resources will be pursued to meet expected customer needs, maintain reliability, and satisfy statutory and regulatory requirements. Under the CTP path, gradual capital deployment balances infrastructure updates with stable rate pathways and moderate load growth. This is the expected trajectory for the 2029-2032 RFP unless near-term forecast changes occur to a magnitude that involves the triggers mention for the low economic growth scenario or the Tier 2 or Tier 3 trajectories.
- Tier 2: HEG incremental resource additions will be pursued when measurable indicators demonstrate sustained growth beyond the base case forecast and existing resources are insufficient to maintain reliability standards. High economic growth scenarios require upfront capital investments in transmission and generation; however, this near-term upward pressure is expected to be mitigated by large load tariff provisions and offset over time by a larger customer sales base that spreads system costs.
- Tier 3: XEG incremental resources will be pursued when measurable indicators demonstrate sustained growth beyond the HEG forecast and existing resources are insufficient to maintain reliability standards. Like the HEG scenario, the XEG scenario requires upfront capital investments in transmission and generation; however, this near-term upward pressure should be mitigated by large load tariff provisions and offset over time by a significantly larger customer sales base that spreads fixed system costs.

This action-based framework provides a transparent roadmap for regulators, customers, and stakeholders by identifying the actions PNM will take now, the conditions PNM will monitor, and the decisions PNM will make as future circumstances change. By linking future resource investments to defined triggers, measurable customer demand, and reliability requirements, PNM can execute near-term investments with confidence, remain prepared for accelerated growth, and protect customers from the costs of premature or unnecessary resource development.